

AMENDED IN ASSEMBLY MARCH 24, 2014

CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

## ASSEMBLY BILL

**No. 2659**

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**Introduced by Assembly Member Brown**

February 21, 2014

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An act to add *and repeal* Chapter 12.9 (commencing with Section 7091) ~~to~~ of Division 7 of Title 1 of the Government Code, ~~and~~ to add *and repeal* Section 17057.8 ~~to~~ of the Revenue and Taxation Code, *and to add and repeal Section 14105.197 of the Welfare and Institutions Code*, relating to health access zones.

### LEGISLATIVE COUNSEL'S DIGEST

AB 2659, as amended, Brown. Health Access Zones: income tax: credits.

Existing law establishes the Office of Statewide Health Planning and Development and requires the office to perform various duties, including preparing a Health Manpower Plan for California, which includes establishing appropriate standards for determining the adequacy of supply in the state of specified categories of certain health personnel. Existing law establishes the California Healthcare Workforce Policy Commission to, in part, identify areas of the state where unmet priority needs for dentists, physicians, and registered nurses exist.

This bill would require the Director of Statewide Health Planning and Development and the commission to adopt regulations relating to the designation of health access zones, as defined, for the purpose of targeting state resources to reduce health disparities, increase access to primary care for the state's growing Medi-Cal population, improve health outcomes, and reduce health care costs and hospital admissions and readmissions in certain parts of the state. The bill would require

the director and the commission to begin accepting applications ~~by~~ *from* nonprofit community-based organizations and local government agencies for health access zone designation no later than July 1, 2015, and would require the director and the commission to designate areas as health access zones in accordance with specified criteria. The bill would also authorize the director and the commission to issue grants to the nonprofit community-based organizations, local government agencies, and health access zone practitioners, as defined, for specified purposes. The bill would create the Health Access Zone Reserve Fund, which would consist of moneys appropriated by the Legislature, to be used, upon appropriation of the Legislature, by the director and the commission for these purposes. *The bill would repeal these provisions on January 1, 2021.*

The Personal Income Tax Law authorizes various credits against the tax imposed by that law.

This bill would, for taxable years beginning on or after January 1, 2016, *and before January 1, 2021*, allow a credit against that tax in an amount equal to \$5,000 for each net increase in qualified full-time health access zone employees, as defined, hired during the taxable year by a qualified health access zone employer, as defined.

*Existing law provides for the Medi-Cal program, which is administered by the State Department of Health Care Services, under which qualified low-income individuals receive health care services. The Medi-Cal program is, in part, governed and funded by federal Medicaid Program provisions. Existing federal law requires the state to provide payment for primary care services furnished in the 2013 and 2014 calendar years by Medi-Cal providers with specified primary specialty designations at a rate not less than 100% of the payment rate that applies to those services and physicians under the Medicare Program.*

*This bill would require, notwithstanding any other law, that payment for primary care services provided on or before December 31, 2020, by a physician in an area designated as a health access zone be made at the payment rate that applies under those provisions.*

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

1     SECTION 1. The Legislature finds and declares all of the  
2 following:

3     (a) Shortages of physicians and other health professionals in  
4 underserved areas significantly affect the health of racial and ethnic  
5 minorities.

6     (b) Members of racial and ethnic minority groups are  
7 overrepresented among the 56 million people in the United States  
8 who have inadequate access to a primary care physician.

9     (c) There are marked differences in social determinants, such  
10 as poverty, low socioeconomic status, and lack of access to care,  
11 that exist along racial and ethnic lines and these differences can  
12 contribute to poor health outcomes.

13     (d) While many state and federal programs continue to attempt  
14 to reduce racial and ethnic disparities in quality of and access to  
15 care, significant disparities continue to persist.

16     (e) Strengthening California's health and human services  
17 infrastructure involves addressing the critical shortage of primary  
18 care physicians, nurses, behavioral health providers, long-term  
19 care workers, and community health workers.

20     SEC. 2. Chapter 12.9 (commencing with Section 7091) is added  
21 to Division 7 of Title 1 of the Government Code, to read:

22  
23     CHAPTER 12.9. CALIFORNIA HEALTH CARE ACCESS INITIATIVE  
24

25     7091. For purposes of this chapter, the following definitions  
26 shall apply:

27     (a) "Area" means a contiguous geographic area that meets both  
28 of the following:

29         (1) Demonstrates measurable and documented health disparities  
30 and poor health outcomes.

31         (2) Is small enough to allow for the incentives offered under  
32 this chapter to have a significant impact on improving health  
33 outcomes, reducing health disparities, including racial and ethnic  
34 and geographic disparities, and serving the Medi-Cal population.

35     (b) "Commission" means the California Healthcare Workforce  
36 Policy Commission within the Office of Statewide Health Planning  
37 and Development.

1 (c) “Director” means the Director of Statewide Health Planning  
2 and Development.

3 (d) “Fund” means the Health Access Zone Reserve Fund  
4 established in Section 7099.

5 (e) “Health access zone” means a contiguous geographic area  
6 that meets all of the following:

7 (1) Demonstrates measurable and documented health disparities  
8 and poor health outcomes.

9 (2) Is small enough to allow for the incentives offered under  
10 this chapter to have a significant impact on improving health  
11 outcomes, reducing health disparities, including racial and ethnic  
12 and geographic disparities, and serving the Medi-Cal population.

13 (3) Is designated as a health access zone by the commission and  
14 the director in accordance with this chapter.

15 (f) “Health access zone practitioner” means a person who is  
16 licensed under Division 2 (commencing with Section 500) of the  
17 Business and Professions Code and who provides any of the  
18 following:

19 (1) Primary care, including obstetrics, gynecological services,  
20 pediatric services, or geriatric services.

21 (2) Behavioral health services, including mental health and  
22 alcohol and substance abuse services.

23 (3) Dental services.

24 7092. It is the intent of the Legislature in enacting this chapter  
25 to establish health access zones to target state resources to reduce  
26 health disparities, increase access to primary care for our state’s  
27 growing Medi-Cal population, improve health outcomes, and  
28 reduce health care costs and hospital admissions and readmissions  
29 in specific areas of the state.

30 7093. (a) The director and the commission may adopt  
31 regulations to implement this chapter and to specify eligibility  
32 criteria, application, approval, and monitoring processes for  
33 participants. The director and the commission shall consult with  
34 the Office of Health Equity within the State Department of Public  
35 Health in implementing this chapter.

36 (b) (1) In order for an area to be designated as a health access  
37 zone, a nonprofit community-based organization or a local  
38 government agency shall apply to the director on behalf of the area  
39 to receive designation. The application shall be in the form and

1 manner and contain the information required as determined by the  
2 commission and the director.

3 (2) The director and the commission shall begin accepting  
4 applications for health access zone designation no later than July  
5 1, 2015.

6 (c) An application submitted pursuant to subdivision (b) shall  
7 include an effective and sustainable plan to reduce health  
8 disparities, reduce costs or produce savings in the health care  
9 system, and improve health outcomes that includes both of the  
10 following:

11 (1) A description of the plan of the nonprofit community-based  
12 organization or local government agency to utilize funding  
13 available under this chapter to address health care provider  
14 capacity, improve health services delivery, effectuate community  
15 improvements, or conduct outreach and education efforts.

16 (2) A proposal to use funding available under this chapter to  
17 provide for loan repayment incentives to induce health access zone  
18 practitioners to practices in the area.

19 (d) An application submitted pursuant to subdivision (b) may  
20 also include the use of other benefits, including, but not limited  
21 to, any of the following:

22 (1) Tax credits, including, but not limited to, those available  
23 under Section 17057.8 of the Revenue and Taxation Code to  
24 encourage health access zone practitioners to establish or expand  
25 health care practices in the area.

26 (2) A proposal to use innovative public health strategies to  
27 reduce health disparities in the areas, including the use of  
28 community health workers, registered dietitians, optometrists,  
29 peer learning, and community-based disease management activities,  
30 that could be supported by grants awarded under this chapter.

31 (3) A proposal to use other incentives or mechanisms to address  
32 health disparities that focus on ways to expand access to care,  
33 expand access to fresh produce through grocery stores and farmer's  
34 markets, promote hiring, and reduce costs to the health care system.

35 7094. (a) The director and the commission shall designate  
36 areas as health access zones in accordance with this section.

37 (b) The director and the commission shall consider geographic  
38 diversity, among other factors, when designing areas as health  
39 access zones, and the commission may conduct outreach efforts

1 to facilitate a geographically diverse pool of applicants, including  
2 promoting applications from rural areas.

3 (c) After receiving applications, the director and the commission  
4 shall report to the Assembly Committee on Budget and the Senate  
5 Committee on Budget and Fiscal Review the names of the  
6 applicants and geographic areas in which the applicants are located.

7 (d) The director and the commission may limit the number of  
8 areas designated as health access zones based on the amount of  
9 money appropriated by the Legislature to the fund.

10 (e) The director and the commission shall give priority to  
11 applications that demonstrate all of the following:

12 (1) Support from and participation of key stakeholders in the  
13 public and private sectors, including residents of the area and local  
14 government.

15 (2) A plan for long-term funding and sustainability.

16 (3) Inclusion of supporting funds from the private sector.

17 (4) A plan for evaluation of the impact of designation of the  
18 proposed area as a health access zone.

19 (5) Other factors that the director and the commission determine  
20 are appropriate to demonstrate a commitment to reduce disparities  
21 and improve outcomes and provide access to health care to  
22 Medi-Cal beneficiaries.

23 7095. Health access zone practitioners that practice in a health  
24 access zone may receive both the following:

25 (a) A tax credit allowed under Section 17057.8 of the Revenue  
26 and Taxation Code, for hiring other health professionals, including,  
27 but not limited to, nurses or physician assistants, licensed or  
28 certified under Division 2 (commencing with Section 500) of the  
29 Business and Professions Code, if the health access zone  
30 practitioner receives a certification of eligibility as described in  
31 Section 7097 and meets the other requirements in Section 17057.8  
32 of the Revenue and Taxation Code.

33 (b) Priority for the receipt of any state funding available for  
34 electronic health records, if feasible and if other standards for  
35 receipt of the funding are met.

36 7096. (a) A nonprofit community-based organization or a local  
37 government agency that applies on behalf of an area for designation  
38 as a health access zone may receive grants, as determined by the  
39 director and the commission, to implement actions outlined in the

1 organization's or agency's application to improve health outcomes  
2 and reduce health disparities in the health access zone.

3 (b) A health access zone practitioner may apply to the director  
4 and the commission for a grant to defray the cost of capital or  
5 leasehold improvements to, or medical or dental equipment to be  
6 used in, the health access zone.

7 (1) To qualify for a grant under this section, a health access  
8 zone practitioner shall meet both of the following requirements:

9 (A) Own or lease the health care facility.

10 (B) Provide health care from that facility.

11 (2) A grant to defray the cost of medical or dental equipment  
12 shall not exceed the lesser of twenty-five thousand dollars  
13 (\$25,000) or 50 percent of the cost of the equipment.

14 (3) Grants for capital or leasehold improvements shall be for  
15 the purposes of improving or expanding the delivery of health care  
16 in the health access zone.

17 7097. (a) A health care access practitioner may request from  
18 the director and the commission a certification of eligibility for  
19 the tax credits under ~~Section 17053.8~~ 17057.8 of the Revenue and  
20 Taxation Code.

21 (b) The director and the commission shall issue a certification  
22 of eligibility of the tax credits under Section 17057.8 of the  
23 Revenue and Taxation Code if the health access zone practitioner  
24 meets all of the following:

25 (1) He or she practices in the health access zone.

26 (2) He or she demonstrates competency in cultural, linguistic,  
27 and health literacy in a manner determined by the department.

28 (3) He or she accepts and provides care for patients who are  
29 enrolled in Medi-Cal or are uninsured.

30 (4) He or she meets other factors that the director and the  
31 commission determine are appropriate to demonstrate a  
32 commitment to reduce health disparities and improve outcomes  
33 and provide access to health care to Medi-Cal beneficiaries.

34 (c) The health access zone practitioner shall retain a copy of the  
35 certification.

36 7098. (a) Notwithstanding Section 10231.5 of the Government  
37 Code, and on or before December 31 of each year, the director and  
38 the commission shall submit a report to the Governor and the  
39 Legislature that includes all of the following:

1 (1) The number and types of incentives granted to each health  
2 access zone.

3 (2) Evidence of the impact of the tax credits and loan repayment  
4 incentives in attracting health access zone practitioners to health  
5 access zones.

6 (3) Evidence of the impact of the incentives offered in health  
7 access zones in reducing health disparities and improving health  
8 outcomes.

9 (4) Evidence of progress in reducing health costs and hospital  
10 admissions and readmissions in health access zones.

11 (b) A report submitted by the director and the commission  
12 pursuant to subdivision (a) shall be submitted in compliance with  
13 Section 9795 of the Government Code.

14 7099. (a) There is hereby established in the State Treasury the  
15 Health Access Zone Reserve Fund consisting of moneys  
16 appropriated to the fund by the Legislature.

17 (b) Moneys in the fund shall be used, upon appropriation of the  
18 Legislature, by the director and the commission for purposes of  
19 implementing this chapter.

20 7100. *This chapter shall remain in effect only until January 1,*  
21 *2021, and as of that date is repealed, unless a later enacted statute,*  
22 *that is enacted before January 1, 2021, deletes or extends that*  
23 *date.*

24 SEC. 3. Section 17057.8 is added to the Revenue and Taxation  
25 Code, to read:

26 17057.8. (a) For each taxable year beginning on or after  
27 January 1, 2016, *and before January 1, 2021*, there shall be allowed  
28 as a credit against the “net tax,” as defined in Section 17039, an  
29 amount equal to five thousand dollars (\$5,000) for each net increase  
30 in qualified full-time health access zone employees hired during  
31 the taxable year by a qualified health access zone employer.

32 (b) For purposes of this section:

33 (1) “Annual full-time equivalent” means either of the following:

34 (A) In the case of a full-time employee paid hourly qualified  
35 wages, “annual full-time equivalent” means the total number of  
36 hours worked for the qualified health access zone employer by the  
37 employee (not to exceed 2,000 hours per employee) divided by  
38 2,000.

39 (B) In the case of a salaried full-time employee, “annual  
40 full-time equivalent” means the total number of weeks worked for



1 the qualified health access zone employer by the employee divided  
2 by 52.

3 (2) “Health access zone” has the same meaning as that term is  
4 defined in subdivision-~~(g)~~ (e) of Section 7091 of the Government  
5 Code.

6 (3) “Qualified full-time health access zone employee” means  
7 an individual who meets all of the following requirements:

8 (A) Is a health professional licensed or certified under Division  
9 2 (commencing with Section 500) of the Business and Professions  
10 Code, such as, but not limited to, a nurse or physician assistant.

11 (B) Performs 100 percent of his or her services for the qualified  
12 health access zone employer during the taxable year in a health  
13 access zone.

14 (C) At least 90 percent of his or her services for the qualified  
15 health access zone employer during the taxable year are providing  
16 the following kinds of professional services:

17 (i) Primary care, including obstetrics, gynecological services,  
18 pediatric services, or geriatric services.

19 (ii) Behavioral health services, including mental health and  
20 alcohol and substance abuse services.

21 (iii) Dental services.

22 (D) Is hired by the qualified health access zone employer after  
23 the date of original designation of the area in which services were  
24 performed as a health access zone.

25 (E) Meets one of the following:

26 (i) Was paid qualified wages by the qualified health access zone  
27 employer for services of not less than an average of 35 hours per  
28 week.

29 (ii) Was a salaried employee and was paid compensation during  
30 the taxable year for full-time employment, within the meaning of  
31 Section 515 of the Labor Code, by the qualified health access zone  
32 employer.

33 (4) “Qualified health access zone employer” means an individual  
34 who is a health access zone practitioner as defined in subdivision  
35 ~~(h)~~ (f) of Section 7091 of the Government Code who has received  
36 the certification of eligibility described in Section 7097 of the  
37 Government Code or, in the case of a pass-thru entity, the partners  
38 or shareholders of the pass-thru entity are all health access zone  
39 practitioners as defined in subdivision-~~(h)~~ (f) of Section 7091 of  
40 the Government Code, who each have received the certification

1 of eligibility described in Section 7097 of the Government Code.  
2 For purposes of this subdivision, the term “pass-thru entity” means  
3 a partnership or “S” corporation.

4 (5) “Qualified wages” means wages subject to Division 6  
5 (commencing with Section 13000) of the Unemployment Insurance  
6 Code that are equal to or greater than 150 percent of the state  
7 minimum wage.

8 (c) The net increase in qualified full-time employees of a  
9 qualified health access zone employer shall be determined as  
10 provided by this subdivision:

11 (1) (A) The net increase in qualified full-time employees shall  
12 be determined on an annual full-time equivalent basis by  
13 subtracting from the amount determined in subparagraph (C) the  
14 amount determined in subparagraph (B).

15 (B) The total number of qualified full-time employees employed  
16 in the preceding taxable year by the qualified health access zone  
17 employer.

18 (C) The total number of full-time employees employed in the  
19 current taxable year by the qualified health access zone employer.

20 (2) For qualified health access zone employers who first  
21 commence doing business in the health access zone during the  
22 taxable year, the number of full-time employees for the  
23 immediately preceding prior taxable year shall be zero.

24 (d) The qualified health access zone employer shall provide the  
25 certification of eligibility described in Section 7097 of the  
26 Government Code upon request to the Franchise Tax Board.

27 (e) In the case where the credit allowed by this section exceeds  
28 the “net tax,” the excess may be carried over to reduce the “net  
29 tax” in the following year, and succeeding nine years if necessary,  
30 until the credit is exhausted.

31 (f) (1) The Franchise Tax Board may prescribe rules, guidelines,  
32 or procedures necessary or appropriate to carry out the purposes  
33 of this section.

34 (2) Chapter 3.5 (commencing with Section 11340) of Part 1 of  
35 Division 3 of Title 2 of the Government Code does not apply to  
36 any standard, criterion, procedure, determination, rule, notice, or  
37 guideline established or issued by the Franchise Tax Board  
38 pursuant to this section.

39 (g) *This section shall remain in effect only until December 1,*  
40 *2021, and as of that date is repealed.*

1     *SEC. 4. Section 14105.197 is added to the Welfare and*  
2     *Institutions Code, to read:*

3     *14105.197. (a) Notwithstanding any other law, and for dates*  
4     *of service on or before December 31, 2020, payments for primary*  
5     *care services provided by a physician in an area designated as a*  
6     *health access zone under Chapter 12.9 (commencing with Section*  
7     *7091) of Division 7 of Title 1 of the Government Code shall be*  
8     *made in accordance with Section 14105.196, as that section read*  
9     *on January 1, 2014.*

10    *(b) This section shall be implemented only to the extent permitted*  
11    *by federal law.*

12    *(c) The department shall seek any necessary federal approvals*  
13    *to implement this section.*

14    *(d) This section shall remain in effect only until January 1, 2021,*  
15    *and as of that date is repealed, unless a later enacted statute, that*  
16    *is enacted before January 1, 2021, deletes or extends that date.*